

## Chapter 18

# **State Board of Accounts/Bookkeeping Process and Prescribed Forms**

### **State Board of Accounts**

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### **The Role of the State Board of Accounts**

- To serve the citizens of Indiana by providing to the State of Indiana, its agencies and political subdivisions, on-time quality services at the best possible value.
- To help make Indiana's citizen-run government a workable concept.
- To perform financial and compliance audits of state and local governments
- To prescribe forms and uniform accounting systems.
- To provide training for public officials and employees.
- To publish manuals, newsletters, and technical bulletins.
- To consult with officials on the state and local level.

### **State Board of Accounts and Libraries**

- The State Board of Accounts audits all public libraries serving the State of Indiana.
- The library supervisor:
  - Provides technical assistance for the audits of federal, state and local funds.
  - Implements all new auditing standards and accounting principles adopted by the various standard-setting bodies.
  - Provides guidance to the individual libraries on a variety of matters.

## **Workshops**

- **Budget Clinics** are held each spring in cooperation with the Department of Local Government Finance and the Library Development Office of the Indiana State Library. New legislation, accounting changes, and budgeting matters are discussed at these clinics.
- **Bookkeeping workshops** are conducted each fall for new library directors, treasurers, and bookkeepers. Accounting forms prescribed for libraries are discussed at these workshops as well as bookkeeping and financial statement preparation. In addition, libraries are given guidance on various recurring issues and audit positions.

## **The Accounting and Uniform Compliance Guidelines Manual for Libraries**

- Published and updated annually by the State Board of Accounts to assist officers and employees of public libraries.
- The manual includes important information about library board and employee responsibilities, revenue sources, allowable expenditures, budgeting, operating procedures, and uniform compliance guidelines.
- Referred to as the “Budget Manual”, you may request copies from the State Board of Accounts, at 1-317-232-2521.
- This manual is now on the web and can be downloaded at:  
<http://www.in.gov/sboa/2404.htm>  
You can then search the manual using the “find” function of your document program.

## **Approved Ledger Sheets**

- Libraries can use either prescribed ledger sheets specifically approved for library bookkeeping or those prescribed for cities and towns.

## **Computerized Bookkeeping Systems**

- If a library board wants to change to a computerized bookkeeping system, they must first see if the forms produced by that system have previously been approved by State Board of Accounts.
- If another library has had a computerized bookkeeping software program approved by State Board of Accounts and your library plans to use the exact same set of forms, etc. for bookkeeping, you do not have to get prior approval to use the system.
- If the system has not already been approved by the State Board of Accounts, you will have to follow State Board of Accounts procedures for getting the forms approved. \*See a sample letter in this Survival Guide Chapter – Prescribed Forms to start this process.

- You cannot begin using the new system until it has been formally approved by the State Board of Accounts.
- A list of libraries and their bookkeeping systems is included in this chapter.

### **Annual Library Audit Checklist**

- A good tool to use for knowing what types of records need to be kept.
- An Audit Checklist is included in this chapter.

### **Bookkeeping Questions**

- When a question arises concerning library bookkeeping, State Board of Accounts has people at the state level as well as in the field who will be able to answer your questions.
- The telephone number for State Board of Accounts is 1-317-232-2521.
- Their website is <http://www.IN.gov/sboa/> .

## **Prescribed Forms**

The State Board of Accounts is charged by law with the responsibility of prescribing and installing a system of accounting and reporting which shall be uniform for every public office and every public account of the same class. [IC 5-11-1-2]

**All governmental units are required by law to use the forms prescribed by State Board of Accounts;** however, if it is desirable to use a different form or to have a prescribed form modified to conform for computer applications, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval.

As a result of advances in computer technology, some computer hardware, software, and application systems can now produce exact replicas of the forms prescribed by the State Board of Accounts.

The State Board of Accounts prescribes the required accounting system forms, but does not specify the source from which the forms must be obtained. Therefore, the State Board of Accounts will not take exception to the use of forms which provide exact replications of the prescribed forms created by computer printer or utilizing continuous form computer paper. These exact replications must be identical to the prescribed forms in format, titles and locations of data. The exact replicas are not required to be submitted to the State Board of Accounts for approval and each form should be identified as "Prescribed By the State Board of Accounts" in the same location as is printed on the prescribed forms.

The use of computer-generated prescribed forms should be brought to the attention of the Field Examiner during the next regularly scheduled audit. The forms and computer system generating the forms are subject to a technical computer audit based upon the results of the Field Examiner's risk assessment.

## **Form Approval Process**

The use of a vendor software system is the responsibility of the library board in accordance with its statutory authority. If the library board desires to use forms generated by a particular software program, it may pass a resolution stating such a preference.

The **resolution and a letter** should be sent to the State Board of Accounts for compliance with applicable statutes and regulations and to provide assurance that a library does indeed desire to use the forms. The forms submitted should be very similar to the prescribed system (same headings and titles, information, etc.). Otherwise, a cross-reference to the prescribed form intended to be replaced should be submitted.

**The State Board of Accounts approval is based upon compliance with the conditions outlined in this section. Compliance with these conditions will be reviewed during subsequent audits. Thereafter, other libraries may use any forms previously approved for the original library using that particular software program.**

Any forms not previously reviewed and approved by the State Board of Accounts will need to go through the traditional form approval process. However, once approved, the new process as summarized below may be utilized.

#### **Summarization of the Form Approval Process**

1. The Library Board passes a resolution in a public meeting stating the desire to use forms generated by a specific software program.
2. A copy of the resolution, along with information in the sample is sent to the State Board of Accounts by the Library Board, along with a sample of all reports and forms of the system. The forms submitted should be very similar to the prescribed system (same headings, titles, information, etc.). Otherwise, a cross-reference to the prescribed form intended to be placed must be submitted.
3. The Library Board receives an approval letter from the State Board of Accounts and begins using the forms without any further approvals in the future unless the forms change.
4. Previously approved forms for an accounting system do not have to be sent in for approval. The Library Board does need to send a letter to State Board of Accounts stating which accounting system is going to be used. A suggested form letter can be found in the appendix of the Accounting and Uniform Compliance Guidelines Manual for Libraries.

#### **Form Approval Conditions**

1. The forms and systems shall be subject to further review and recommendations during the audits of the Library to allow for on-site review, as well as to ensure compliance with current statutes.
2. Any other Forms, Checks, Receipts, etc., necessary to complete the system shall be submitted to the State Board of Accounts for approval. The Library should continue to maintain all prescribed forms not otherwise covered by an approval.
3. All transactions that occur in the system must be recorded. Transactions can be maintained on-line, on backup tapes, microfilmed,

or printed on hardcopy. These transactions include, but are not limited to: all input transactions, transactions that generate receipts, transactions that generate checks, master file updates, and all transactions that affect the ledgers in any way. For all information maintained on the system, the system must be designed in such a manner that changes to a transaction file cannot occur without being processed through an application.

4. The ability must not exist to change data after being posted. If an error is discovered after the entry has been posted, then a separate correcting entry must be made. Both the correcting entry and the original entry must be maintained.
5. If the unit owns the source code, sufficient controls must exist to prevent unauthorized modification. If the unit does not own the source code, upon request or in the event the vendor no longer provides maintenance service for the system, the vendor shall provide representatives of the State Board of Accounts with access to all computer source code for this system. In addition, the vendor shall provide representatives of the State Board of Accounts with a document describing the operating system used, the language that the source code is written in, the name of the compiler used, and the structure of the data files including data file names and data file descriptions, field names and field descriptions for the system upon request.
6. Any Checks, Receipts, Purchase Orders, Deposit Advices or other prescribed forms that require numbering shall be serially prenumbered by the printing supplier prior to delivery to the Library. All receipts are to be printed at the time money is received. Furthermore Checks, Receipts, Purchase Orders or Deposit Advices shall not be presigned and shall have duplicates. An approved check register may be used to meet the duplicate requirement for checks.
7. Recap sheets for each depository for deposit advices, if applicable, will be maintained indicating direct deposits. Individual wage assignment agreements will be kept on file to support direct deposit.
8. Checks drawn on multiple bank accounts should only occur as a result of compliance with the Public Depository Law.

## FORMS FOR USE BY LIBRARIES

### Library Form #

1	Financial and Appropriation Record
1A	Financial and Appropriation Record
1B	Financial and Appropriation Record
1C	Financial and Appropriation Record
2	Warrant (in duplicate)
3	Daily Record of Desk Collections
4	Accounts Payable Voucher

### Title

### General Budget Form #

53	Bond Register
86	Contractor's Combination Bid Bond and Bond for Construction
86A	Contractor's Bond for Construction
95	Bid, Offer, or Proposal for Sale or Lease of Materials
96	Contractor's Bid for Public Work
98	Purchase Order
99	Payroll Schedule
99A	Employees Service Record
99B	Employees Earnings Record
99C	Employee's Weekly (Work Period) Earnings Record
99P	Publisher's Claim
100R	Certified Report of Names, Address, Duties and Compensation of Public Employees
101	Mileage Claim
350	Register of Investments
351	Register of Insurance
352	Receipt
359	Ledger of Appropriations, Encumbrances, Disbursements and Balances
364	Accounts Payable Voucher Register
369	General Fixed Asset Account Group Ledger

### Title

## City and Town Form

211

General Fixed Asset Account Group Ledger

### Other Forms - Suggested Format

Certificate of County Auditor

Certificate of Secretary of Appropriating Body

Certified Copy of Additional Appropriation

Conflict of Interest Disclosure

Form Approval Letter

Library Appropriation Resolution

Notice to Taxpayers of Proposed Additional Appropriations

Petition to Appeal

Proof of Posting of Notice of Additional Appropriations

Resolution to Reduce Current Operating Budget



## **Annual Library Audit Checklist**

### **Background Information**

The library should have available or be able to obtain quickly the following information:

- a. **Name and address of library, plus any branches**
- b. **Population of service area as of latest official census** (Indiana State Library, Library Development Office can give you this number)
- c. **Names and addresses of officials**, including
  - Library Trustees
  - Library Director
  - Library Attorney
  - Library Insurance Agent
  - Library Accountant
- d. **Major state statute(s) under which library operates**
- e. **Date of library establishment** (Indiana State Library, Library Development Office can give you this information)
- f. **Terms of library trustees** (there should be a file in the director's office or business office that has the certificates of appointment with the appropriate date for each library board member; also, the appointing authorities should have this information)
- g. **All library policies in effect**, including
  - General policies
  - Rules and regulations
  - Personnel policies
  - Resolutions as contained in minutes or other records
  - Minutes of regular and special board meetings
  - Index to above material, if available
- h. **Library personnel records**, including
  - Personnel files
  - Annual leave and sick-leave records
  - Payroll records, including time cards

- i. **Name and address of all depositories and all account numbers and authorized signatures**
- j. **All Insurance policies in effect during the audit period**
- k. **General ledger, balance sheets, and other accounting records**
- l. **Schedule of investment transactions by fund for the period covered**
- m. **Invoices, purchase orders, and receiving reports for the period covered**
- n. **Bank statements, including checking, for period covered**
- o. **Details of any new bond issues, significant contracts, and lease agreements**
- p. **Copy of any other audit prepared for the library during the period covered**
- q. **Summary of all litigation involving the library during the period covered, including an administrative evaluation of the probable outcome**
- r. **Copies of all lease agreements involving facilities and equipment**

**Review of General Actions** (Yes or No)

- ☐ Yes    Has any property or thing of value been loaned, pledged, granted, or  
☐ No      otherwise conveyed to anyone during the past year, other than  
                  through normal routines of circulation?
- ☐ Yes    Does the accounting system make it possible to show that the library  
☐ No      has complied with all applicable legal provisions?
- ☐ Yes    Are all major accounting entities separated by Funds? Does a deficit  
☐ No      exist in any Fund at year-end?
- ☐ Yes    Has any library officer or employee accepted anything of value,  
☐ No      whether in form of service, loan, thing, or promise, from anyone  
                  doing business with the library?
- ☐ Yes    Are there persons on the library payroll not performing work for the  
☐ No      library?

- ☐ Yes    Has any library official or employee used influence or their vote to  
☐ No     obtain expenditures of public funds for himself or a concern in which  
           he has an interest?
- ☐ Yes    Have all previous critical audit discrepancies been corrected? If not,  
☐ No     list those not corrected and explain delay in correction.
- ☐ Yes    Is the library involved in any lawsuit, either as plaintiff or defendant?  
☐ No
- ☐ Yes    Are minutes taken at all meetings of the library board?  
☐ No
- ☐ Yes    Is all official action taken by the library board done so at a properly  
☐ No     announced public meeting?
- ☐ Yes    Are special meetings of the library board announced at regular  
☐ No     meetings?
- ☐ Yes    Are library records maintained in accordance with applicable  
☐ No     retention standards?
- ☐ Yes    Does the library have bonding or surety coverage for individuals  
☐ No     with access to library funds?
- ☐ Yes    Does the library follow the applicable regulations with respect to bid  
☐ No     laws for purchase and disposal of surplus items?
- ☐ Yes    Does the library keep financial records in accordance with applicable  
☐ No     state guidelines?

**Review of Financial Actions** (Yes or No)

- ☐ Yes    Is there security pledged for the balances in the bank accounts?  
☐ No
- ☐ Yes    Does the library pay a monthly charge or fee for the bank accounts  
☐ No     maintained by the library?
- ☐ Yes    Are funds in excess of those needed for normal operation invested  
☐ No     in interest-bearing accounts or securities?
- ☐ Yes    Are restricted funds (those provided for special purposes other than  
☐ No     general operations) loaned to other funds?

- ☐ Yes    Does the library maintain proper accounts for petty cash, including a  
☐ No      receipt for all disbursements?
- ☐ Yes    Does the library use petty cash funds to cash personal checks, hold NSF  
☐ No      checks, make loans or cash advances?
- ☐ Yes    Does the library keep clear and separate accounting records for the  
☐ No      receipt and expenditure of general taxes, special purpose taxes, and  
             other monies received?
- ☐ Yes    Does the library utilize tax monies received in special funds only for the  
☐ No      purpose specified in those funds?
- ☐ Yes    Does the library make deposits intact and promptly?  
☐ No
- ☐ Yes    Does the library take adequate internal precautions, both physical and  
☐ No      clerical, to protect its cash collections such as fines and fees?
- ☐ Yes    Did the library board adopt and approve a legal appropriation document  
☐ No      or budget listing both expected revenues and proposed expenditures?
- ☐ Yes    Did expenditures exceed estimated revenues?  
☐ No
- ☐ Yes    Did the library make expenditures in accordance with its approved  
☐ No      budget?
- ☐ Yes    Did the library make its expenditures either by check or supported bank  
☐ No      memoranda, except for petty cash?
- ☐ Yes    Did the library make payroll changes, including pay increases, in  
☐ No      accordance with approved procedures adopted by the library board or  
             other governing authority?
- ☐ Yes    Did the library make payment of any salary bonuses or retroactive pay  
☐ No      increases?
- ☐ Yes    Did the library make advance wages or salaries to any staff member?  
☐ No
- ☐ Yes    Did the library pay staff for annual vacation in lieu of their taking it? If so,  
☐ No      is this in accordance with approved procedures adopted by the library  
             board or other governing authority?

- ☐ Yes    Did the library make travel reimbursements in accordance with approved  
☐ No      procedures, including approval by the responsible official either verbally  
             or in writing?
- ☐ Yes    Did the library require receipts for travel expenses such as hotels, airline  
☐ No      tickets, meals, etc.?
- ☐ Yes    Does the library have documented justification for any lump sum  
☐ No      advances or allowances paid to officials or employees?
- ☐ Yes    Does the library have an established policy for the use of gasoline or  
☐ No      other credit cards?
- ☐ Yes    Does the library conduct a physical inventory on  
☐ No      movable equipment and furnishings?
- ☐ Yes    Does the library conduct a physical inventory on  
☐ No      consumable materials and supplies?
- ☐ Yes    Have expenditures for such items as floral or memorial gifts and  
☐ No      contributions to private or public organizations been made in accordance  
             with appropriate policies or regulations?

**Review of Purchasing Actions** (Yes or No)

- ☐ Yes    Does the library have established and documented purchasing  
☐ No      procedures?
- ☐ Yes    Do all departments, divisions, or employees comply with existing  
☐ No      purchasing procedures?
- ☐ Yes    Does the library clear all purchases through a central purchasing office?  
☐ No
- ☐ Yes    Does the library ensure against purchasing in excessive amounts?  
☐ No
- ☐ Yes    Does the library require purchase orders for purchase?  
☐ No
- ☐ Yes    Are the purchase orders pre-numbered and adequately safeguarded?  
☐ No
- ☐ Yes    Does a purchase order require adequate approval before funds are  
☐ No      obligated?

☐ Yes Can any department purchase its own materials directly from vendors?  
☐ No

☐ Yes Does the library follow approved policies and regulations on materials  
☐ No and services for which a bid is required?

☐ Yes Does the library ever split purchases in order to avoid applicable bid  
☐ No guidelines?

Do receiving reports on items purchased and/or delivered include: (Yes or No)

☐ Yes Details of items received at time of delivery?  
☐ No

Do receiving reports on items purchased and/or delivered include: (Yes or No)

☐ Yes Verification and certification of items received by a responsible  
☐ No library employee?

☐ Yes Does the library use the receiving report as part of the  
☐ No documentation for the disbursement of payments?

☐ Yes Does the library take precaution against theft and waste of  
☐ No supplies?

### **State laws which may bear on the audit**

- Annual financial and operations reports
- Code of ethics
- Conflict of Interest
- Dual office holding
- Fixed asset accounting
- Leases
- Local government budget and appropriations
- Open meetings
- Sale or disposal of property
- Public bid
- Public records

(Adapted from "YOUR ANNUAL AUDIT" and "SYSTEM SURVEY AND COMPLIANCE QUESTIONNAIRE". Office of the Legislative Auditor, State of Louisiana. Used with permission.)

Source: Wozny, Jay. Checklists for Public Library Managers. Scarecrow Press, New Jersey.

**Handouts in this chapter that can be found on a website:**

Registration Public Library Bookkeeping Workshop

<http://www.in.gov/library/2917.htm>

Letterhead of Governmental Unit - A-63

<http://www.in.gov/sboa/files/Libraapp.pdf>

Resolution 00-01 - A-65

<http://www.in.gov/sboa/files/Libraapp.pdf>

Indiana Public Library Annual Report Supplement 2006  
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<http://www.in.gov/library/files/06table14.xls>